Nature and Growth of the Indian Corporate Sector

S K Goyal

Institute for Studies in Industrial Development
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The Indian corporate sector has two main components, namely, the government owned and privately owned companies. The size of both the components, in terms of both numbers and capital, has grown fast, particularly since beginning of the 'seventies (See Table-1). Government companies are mainly in the basic, heavy and capital intensive industries whereas the private sector is predominantly in industries which cater to the consumer markets directly. It is due to such a basic difference that while the government sector accounts for nearly two-thirds of the productive industrial capital, its share in the net value added is less than one-third.[1] And the opposite is true of the private sector. The differing nature of the activities undertaken by the two sectors is also reflected in the pattern of industrial activities of the two sectors. For instance, energy -- which is a pre-requisite for processes of economic development -- alone accounts for more than 44 per cent of the capital invest-ment of the Central Government production enterprises; another 15 per cent investment is in steel, 11.4 per cent in chemicals, fertilizers and pharmaceuticals and nearly 8 per cent in minerals and metals.[2]

Being government owned enterprises, the choice of investment, location, pricing, employment and all other important policies are centrally decided. These have to be in conformity with the macro and socio-economic objectives -- which are multiple and sometimes even self contradictory.[3] The constituents of the private sector do not have multiple objectives to pursue; the purpose of a private business organisation is clear *i.e.* to operate as a business enterprise -- and business means, profit and economic advantage and not social service. The primary test of performance of a private enterprise is in terms of the profits it can make.

Private corporate sector, unlike the government sector which comprises of about a little more than one thousand companies, consists of more than two lakh

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In a discussion on the private sector one cannot avoid references to individual actors on the corporate scene. The citations and names are brought in not because of any bias or prejudice, but primarily because without this the presentation would appear more a fiction than a reality.

1. India, (CSO), Annual Survey of Industries 1980-81, Vol I, 1981. The low value added could also be attributed to the pricing policies of the Government as the gross output in value terms is dependent on the prices.

2. India, Bureau of Public Enterprises, Public Enterprises Survey, Vol.I, 1983-84, p.20.

3. Kidwai, Waris R., "The Threatening Storm Over Public Sector in India", in Nigam, Raj K., (ed.) Towards a Viable and Vibrant Public Sector in India, Documentation Centre for Corporate and Business Policy Research, 1986.

Table - 1

Growth of the Indian Corporate Sector
(1956-57 -- 1990-91)

(PUC in Rs. Crores)

Year	Govt. Companies (Public & Private Limited)		Non-Govt. Companies Public Limited		Non-Govt. Companies Private Limited		All Companies	
	No.	PUC	No.	PUC	No.	PUC	No.	PUC
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1956-57	74	73	8771	696	20512	309	29357	1078
1957-58	91	257	8255	756	19934	294	28280	1307
1958-59	104	429	7608	782	19691	305	27403	1516
1959-60	125	477	7151	814	19621	327	26897	1618
1960-61	142	547	6663	915	19344	356	26149	1819
1961-62	154	630	6399	1093	18422	296	24975	2019
1962-63	160	786	6404	1171	19058	300	25622	2257
1963-64	176	961	6474	1281	19282	361	25932	2603
1964-65	183	1115	6492	1329	19909	336	26584	2780
1965-66	214	1248	6410	1346	20386	355	27010	2949
1966-67	232	1392	6309	1402	20706	361	27247	3155
1967-68	241	1559	6497	1684	20606	430	27344	3674
1968-69	259	1715	6454	1712	21260	433	27973	3860
1969-70	282	1791	6436	1741	22242	447	28960	3979
1970-71	314	2064	6443	1775	23655	462	30412	4301
1971-72	352	2369	6703	2036	25212	536	32267	4941
1972-73	390	2998	6819	2176	27147	575	34356	5749
1973-74	450	4645	7071	2323	29964	663	37485	7631
1974-75	573	4966	7275	2484	32736	750	40584	8200
1975-76	651	6122	7593	2675	35162	822	43406	9619
1976-77	701	7175	7794	2808	37371	897	45866	10880
1977-78	745	8528	8028	3113	39521	957	48294	12598
1978-79	782	8315	8309	3240	42427	1020	51518	12575
1979-80	825	10070	8864	3445	46804	1091	56493	14606
1980-81	851	11443	9388	3550	52475	1152	62714	16145
1981-82	894	13309	10169	3716	61339	1245	72402	18270
1982-83	943	16535	11371	3839	70589	1347	82903	21721
1983-84	973	19511	12523	3996	80768	1455	94264	24962
1984-85	980	22447	14149	4260	92240	1578	107369	28285
1985-86	1020	27088	19837	7139	103522	2368	124379	36595
1986-87	1053	32873	21442	8435	118175	2660	140670	43968
1987-88	1104	37169	22507	9966	134713	2989	158324	50124
1988-89	1134	42572	23749	11773	155445	3358	180328	57704
1989-90	1160	47451	25217	13573	175751	3620	202128	64643
1990-91**	1167	49424	26813	14569	196472	4117	224452	68111

Source: (i) Ministry of Industrial Development & Company Affairs, (Dept. of Company Affairs), Annual Report, 1986-87. (ii) Ministry of Law Justice & Company Affairs, Directory of Joint Stock Companies in India: 1980, Vol.1.

Note : Private and Public Limited companies are grouped together in case of Government Companies.

** Provisional

units. An operational division, within the sector exists *i.e.* `private limited' and `public limited' ones.[4] Generally speaking, private limited companies are small and closely held; the public limited are large and widely held. While in terms of numbers, the public limited companies are only 12 per cent of the total, more than three-fourths of the total paid-up capital (PUC) of the private corporate sector is accounted by them.

In 1956-57, the number of `public limited' private sector companies was 8,771 and in 1984-85 it stood at 26,813. The size of PUC in this period increased from Rs. 696 crores to Rs. 14,569 crores.[5] The sector is marked by the existence of high degree of concentration, *i.e.* a small number of large sized companies enjoying a dominant place. In 1980, the small sized companies, each with less than Rs. 5.0 lakhs PUC, accounted for nearly half of the public limited companies but had less than two per cent share of the PUC; on the other hand, less than six per cent of the large sized group, each with Rs. 1.0 crore and more of PUC accounted for nearly two-thirds of the gross PUC. If one combines the last two categories in Table-2 the Companies with more than Rs. 50.00 lakhs each as PUC, are seen to account for a little less than four-fifths of the total PUC of the public limited companies of the private corporate sector. The highly skewed nature of the public limited companies is only too obvious.

In the recent past, one observes a trend towards furtherance of concentration, especially at the top, in the Indian private corporate sector. The Gini coefficient of concentration increased from 0.56 in 1969-70 to 0.65 in 1981-82 and 0.74 in 1987-88 (Also see Table-3).[6] Graph A shows the changes in concentration during 1969-70, 1981-82 and 1987-88 for companies, having more than Rs. 50.00 lakhs as PUC. The distribution shown is based on sales turnover.

The size distribution of companies, however, is not an adequate basis to assess the trends in concentration. To understand the true magnitude and trends

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4. (i) Private Limited companies are those in which the number of shareholders is limited to fifty and which are prohibited from inviting public form subscribing to any of their stocks. The right to transfer shares is also restricted. Government companies are those in which not less than 51 per cent of the paid-up capital is held by the Central Government or by any State Government or Government companies. See INDIA, Ministry of Law, Justice & Company Affairs, Companies Act, 1956 (as modifies up to 1.6.1981). Section 3 and 617.

(ii) In 1990-91 the number of public limited private sector companies was 26813, while the size of PUC was Rs. 14569 crores.

5. India, Ministry of Industry and Company Affairs (Department of Company Affairs), Annual Report, various issues. It can be seen from Table-1 that there was a gradual decline in the number of public limited companies in the initial phase, the minimum having been reached in 1966-67 at 6309.

6. For a method of calculating the coefficient and drawing the concentration curve see: William I Greenwal, Statistics for Economics, 1963.

Table - 2

Distribution of Public Limited Companies in the Private Corporate Sector As on 31-3-1980

(PUC in Rs. crores)

PUC Range	No.	PUC	Percentage	
			No.	PUC
(1)	(2)	(3)	(4)	(5)
Less than 5 lakhs	4078	55.0	49.58	2.00
5 - 10 lakhs	979	74.3	11.90	2.70
10 - 25 lakhs	1332	211.9	16.19	7.70
25 - 50 lakhs	724	255.9	8.80	9.30
50 - 100 lakhs	566	349.4	6.88	12.70
1 Cr. & above	546	1805.0	6.64	65.60
Total	**8225**	**2751.5**	**100.00**	**100.00**

Source: Based on Shadi Lall, "The Corporate Sector in India: As on 31-3-1980", Company News & Notes, July 1981.

Note : Information on the aggregate position of the corporate sector normally undergoes substantial changes. The discrepancy between the total number of companies and their PUC as reported in Table 1 and here is due to the updation of the figures in later years.

in concentration in the private sector, one needs to see the share and pattern of growth of the inter-connected companies as a group. The concept of a `Business House' is only too well known to need any elaboration.[7] Table-4 and 4(a) show the growth of the top 20 Business Houses during 1972-84, as per the official sources. The overall assets of these 20 `Business Houses' have multiplied more than five times in the during 1972 to 1984.[8] These rose from less than three thousand crores in 1972 to over fifteen thousand crores of rupees by 1984. A similar picture emerges if one takes the turnover as a base to reflect changes in the market concentration in the Indian private corporate sector.[9]

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7. Mehta Ashok, Who Owns India, 1950; Hazari, R.K., The Structure of the Corporate Private sector - A Study of Concentration, Ownership and Control, 1966; India, Planning Commission, Committee on Distribution of Income and Levels of Living (Mahalanobis Committee), 1964; India, Monopolies Inquiry Commission: Report (MIC), 1965; and India, Report of the Industrial Licensing Policy Inquiry Committee (ILPIC), 1969, have discussed the concept. For a discussion on the evolution of the concept see: Goyal, S.K., Monopoly Capital and Public Policy, Allied Publishers, 1979, Chapter III.

8. During the same period the PUC of the private sector increased from Rs. 2,572 crores in 1972 to Rs. 5,451 crores in 1984. This is nearly a little more than doubling of the overall magnitude compared to the five fold increase in the assets of the top 20 houses. The assets and PUC data are, however, not strictly comparable.

9. The asset figures are less of depreciation and reflect neither the "gross value" nor the "market value" of the company assets.

Table - 3

Distribution of Large Private Companies

(Rs. Crores)

Sales Range (Rs. Cr.)	1969-70		1981-82		1987-88		Percentage					
							19869-70		1981-82		1987-88	
	No.	Turnover	No.	Turnover	No.	Turnover	No.	Turnover	No.	Turnover	No.	Turnover
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Less Than 5	392	855.54	382	750.87	1122	1483.42	56.40	15.45	30.46	2.26	42.15	1.98
5-10	159	1105.49	212	1574.96	359	2641.11	22.88	19.99	16.91	4.74	13.49	3.51
10-25	99	1521.69	332	5452.22	530	8528.11	14.24	27.47	26.48	16.41	19.91	11.35
25-50	34	1062.07	158	5422.89	313	11044.29	4.89	19.17	12.60	16.33	11.76	14.70
50-75	4	252.67	76	4599.35	112	6830.27	0.58	4.56	6.06	13.85	4.21	9.09
75-100	4	343.68	28	2414.23	66	5636.87	0.58	6.20	2.23	7.27	2.48	7.50
100 & above	3	398.12	66	13002.94	160	38982.11	0.43	7.19	5.26	39.14	6.00	51.87
Total	695	5539.26	1254	33217.46	2662	75146.85	100.00	100.00	100.00	100.00	100.00	100.00

Source: Based on "Factsheets on Non-Government Companies with Paid-up Capital of Rs. 50 lakhs and above", Research and Statistics Division of the Department of Company Affairs, Government of India.

Note : Only those companies for which information on sales is provided are taken for analysis.

Graph – A

Distribution of Large Private Companies

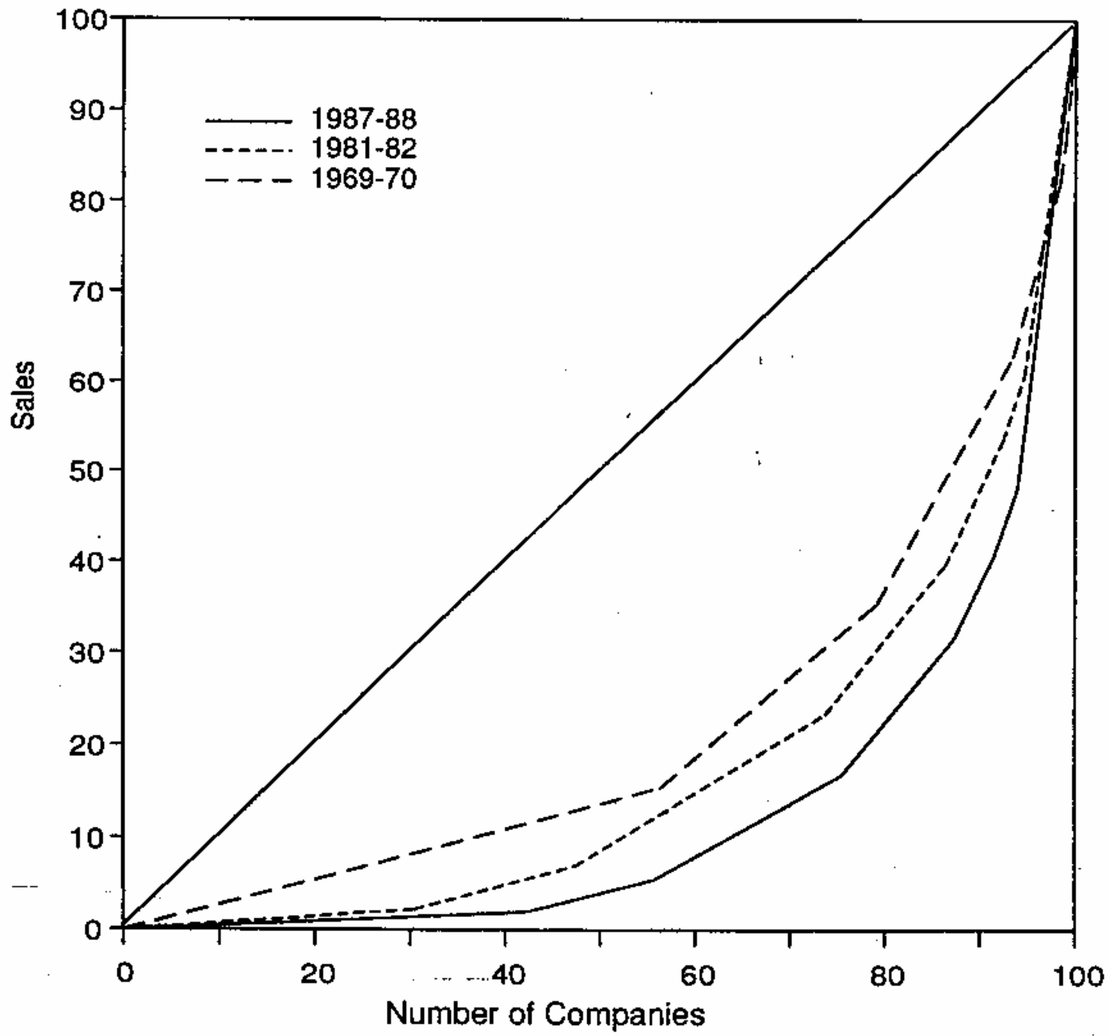


Table - 4

Growth in Assets of the Top Twenty Houses (1972 - 1984)

(Rs. Crores)

House	Assets			Share in Increase (%)	
	1972	1980	1984	1972-80	1980-84
(1)	(2)	(3)	(4)	(5)	(6)
Birla	589.42	1431.99	3359.04	18.48	23.32
Tata	641.93	1538.97	3120.13	19.67	19.13
J K Singhania	121.45	412.72	858.37	6.39	5.39
Mafatlal	183.74	427.54	786.60	5.35	4.35
Thapar	136.16	348.06	699.35	4.65	4.25
Reliance	*	166.33	672.96	3.65	6.13
Modi	58.05	198.82	610.30	3.09	4.98
A C C	134.36	274.51	554.16	3.07	3.38
Bangur	125.26	264.33	508.84	3.05	2.96
Larsen & Toubro	79.03	216.03	480.79	3.00	3.20
Sarabhai	84.44	317.94	462.88	5.12	1.75
Bajaj	63.32	179.26	425.97	2.54	2.99
I C I	135.21	343.01	425.52	4.56	1.00
Mahindra	58.49	186.03	408.17	2.80	2.69
Shriram	120.77	241.00	406.69	2.64	2.01
Walchand	99.47	150.36	405.31	1.12	3.08
Kirloskar	86.46	220.37	397.81	2.94	2.15
I T C	74.65	156.29	393.15	1.79	2.87
T V S Iyyengar	50.97	188.64	387.25	3.02	2.40
Hindustan Lever	77.87	219.30	381.81	3.10	1.97
Total	2921.05	7481.50	15744.80	100.00	100.00

Source: Based on replies to questions in Parliament.
Note: The asset figures refer to only those companies which are registered under the MRTP Act, 1969.
* This House emerged after 1972.

To identify the trends in concentration, one may divide this period into three parts, namely 1972-1980, 1980-1984 and 1984-1990[10]. One would observe that:

(a) The rate of growth in assets of the top twenty Business Houses in successive period was higher than in the previous period;

10. As the list of top Houses changed substantially overtime, for the 1984-1990 period a different set of Houses based on their ranking in 1990 was taken for this purpose.

Table - 4 (a)

Growth in Assets of the Top Twenty Houses
(1984-1990)

(Rs. Crores)

House	Assets 1990	Assets 1984	Share in Increase 1984-90
(1)	(2)	(3)	(4)
Tata	8530.93	3120.13	20.20
Birla	8473.35	3359.04	19.09
Reliance	3600.27	672.96	10.93
Thapar	2177.15	699.35	5.52
J.K. Singhania	2139.00	858.37	4.78
Larsen & Toubro	1681.52	480.79	4.48
Modi	1399.37	610.30	2.95
Bajaj	1391.06	425.97	3.60
Mafatlal	1343.35	786.60	2.08
SPIC	1273.35	272.00	3.74
Hindustan Lever	1209.46	381.81	3.09
United Breweries	1189.24	262.00	3.46
T.V.S. Iyenger	1177.10	387.25	2.95
I.T.C.	965.13	393.15	2.14
Shri Ram	933.93	406.70	1.97
A.C.C.	902.72	654.16	0.93
Oswal Agro	870.34	*	3.25
Mahindra & Mahindra	773.55	161.00	1.36
Essar	756.49		2.22
Kirloskar	735.51	397.81	1.26
Total	41522.82	14737.562	100.00

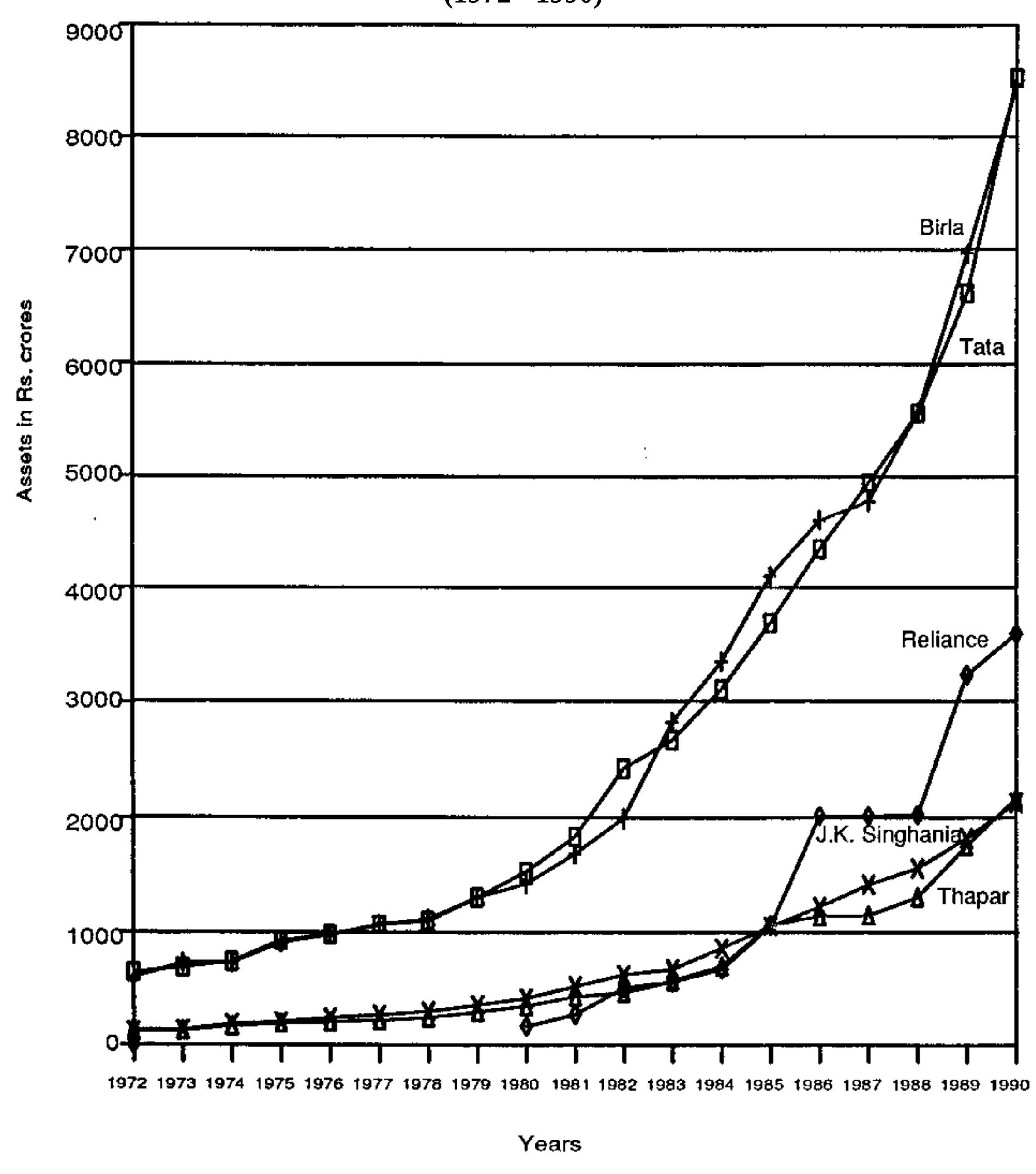
Source: Same as for Table 4.
* : This is a new House.

(b) During the three periods the lead has been maintained by the top two Houses as one set and the others as another set. The Birla and the Tata Houses seem to have been growing as if it was a neck to neck race (See Graph-B); and

(c) While in terms of percentage growth of assets the relatively smaller Houses demonstrate a similar trend, the two top Houses had the lion's share and claimed nearly 40 per cent of the overall addition to the assets of the top 20 during 1972-84 as also during 1984-1990.

Graph – B

Growth of Top 5 Monopoly Houses
(1972 - 1990)



The official figures on the magnitude of growth rates in terms of assets are known to be underestimates of the real size or the extent of market dominance of individual Houses. This was the main theme of one of our earlier studies.[11] It showed that due to a variety of techno-legal reasons, the extent of under-estimation in official estimates on Business House assets could be as high as thirty to forty per cent.[12]

Is there an economic justification for the high growth experience of the Indian big business? If fast growth in size of an enterprise or a group was a consequence of the adoption of new, sophisticated and more efficient technologies or to avail of the economies of scale, one could well understand the inevitability of some such trends. The acceptance of such un-avoidable features in the process of industrialisation would simultaneously demand the adoption of appropriate and effective public policies to meet the menace of emerging monopolies, and curbing tendencies at resorting to restrictive trade practices. Further, it also necessitates measures aimed at consumer protection and safeguards to protect national interest, which private interests invariably have the temptation to violate. These and related aspects of concentration in the private organised sector are not receiving much attention of the social scientists or the policy makers.[13] There is no doubt that the

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11. Goyal, S.K., Monopoly Capital and Public Policy, 1979, Chapter V.

12. It is also interesting that many a time the House lays its claims to a much larger empire than what the Parliament is informed by the government. For instance, in a paid advertisement titled "Tata Enterprises" placed in International Herald Tribune, The Tatas claimed that their assets exceeded US $ 2.8 billion (Rs. 2,200 crores approx.) while the Government placed the figure at Rs. 1309 crores only for the year 1979 (See the supplement of the paper "Made in India" issued in December, 1979). Apart from the under estimation resulting from avoidance of registration under the MRTP Act by big business companies, the official figures suffer from the fact that they do not take into account the value of assets held abroad by these Houses. Surprisingly, the official estimates treat the constituents of a single House as parts of different Houses or even hold them to be independent entities thus under-estimating the real strength of individual Houses (See Chalapati Rao, K.S. "A Study of Inter-connections under the MRTP Act in the Context of the Asset Limit Hike", EPW, July 6, 1985). Probably, a matter of serious concern is the government's incomplete knowledge of such investments (See: Ranganathan, K.V.K. "Indian Joint Ventures Abroad", EPW, May 19-26, 1984). The change in the criteria for inter-connection under the MRTP Act introduced in 1984, though a welcome one, and has improved the situation regarding registration of large House companies, there are enough cases to show that the criterion are still not adequate to reflect the full extent of economic power as individuals. The trusts controlled by the large industrial families do not find a place in the list of MRTP undertakings though it is well known that these are used for tax avoidance and also play a role in the control mechanism of the Houses. To illustrate, it would suffice to say that none of the companies involved in the Reliance loan scandal are registered under the MRTP Act.

13. There was a time when the growth of big business and consequent harmful effects on the socio-political and economic development of the country were discussed and examined in great detail. It was only such concern which culminated in the enactment of the Monopolies and Restrictive Trade Practices Act in 1969. The Reports of the Mahalanobis Committee, Monopolies Inquiry Commission and Industrial Licensing Policy Inquiry Committee are cases in point. While there have been few important studies by individual scholars, the area did not attract many scholars. A firm foundation to the studies on Business Houses was laid by R.K. Hazari in his study The Structure of the Corporate Private Sector. A special mention

existence, and much worse the strengthening of such trends has, apart from economic consequences, a few but serious socio-political implications.

The logic of industry specialisation to harness economies of scale and adoption of new technologies to cut down costs of production do not appear to be a strong point with most of the Big Business Houses in India. Each large House appears to be wanting to produce as many varieties of goods as possible. The diversity is impressive and specialisation, the least significant. To illustrate: the Birlas are in jute, textiles, sanitaryware, cement, steel, plastics, dairy, newspaper industry, shipping, automobiles, electricals, tea and sugar in addition to trading in investments.[14] The Birlas are, of course, now entering in a big way into chemicals and fertilizers. Similarly, one has only to glance through the list of new products in which even an industrial House like that of the Tatas, which by popular perception is associated with steel, trucks, power generation and other high technology areas is now having a hold in such low technology areas like hotels, paints, cosmetics, toiletries and garments besides trading in a variety of consumer goods. The Tatas have now gone in for production of tomato ketchup, fruit juices and soft drinks. Examples can be multiplied to bring home the point that growth in concentration of the productive resources in the Indian private corporate sector has not been accompanied by industry specialisation; which could reap economies of scale or could help achieve technological breakthroughs by undertaking worthwhile R & D activities. Even in the use of non-sophisticated technologies, the corporate sector in India has largely depended on imported technologies.[15] The spurt in foreign collaboration agreements during the 'eighties is one indication of this trend.

There has to be a continuing examination of the trends to keep ourselves aware of the implications of capital concentration. The plea for special emphasis on this sector also arises from the fact that one of the Directive Principles of State Policy makes it obligatory on the part of the government to direct its policy in such a way that "ownership and control

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may be made of H.K. Paranjape who has been consistently working in the area of monopoly regulation both during his term as member of the MRTP Commission and subsequently too. The Corporate Studies Group of the Indian Institute of Public Administration is trying to institutionalise studies on industrial economics, with a special emphasis on the regulatory policies of the Government towards monopoly and concentration.

14. It is interesting to find that more than one Birla company manufactures cement. Besides the two cement companies Mangalam Cement and Mysore Cement, other Birla companies which diversified into cement are: Birla Jute, Century Spinning, Gwalior Rayon, Indian Rayon and Kesoram Industries. Similarly, three companies of the J.K. Singhania House namely: Straw Products, J.K. Synthetics and Raymond Woollen Mills have entered into the cement industry. Indeed one can see a mad rush at diversifying into new profitable areas of the day. This appears to be a characteristic of the Indian big business. It happened with fishing, shipping and more recently with electronics and petrochemicals. In the process they will be forced to go in for imported technologies because (i) they would not be having any experience till then in the area, and (ii) since more or less all constituents of the big business become aware of the possibilities simultaneously, they would like to show their one-up-manship by going for technology imports.

15. INDIA, Report of the Industrial Licensing Policy Inquiry Committee, 1969, p.130-132.

of the material resources of the community are so distributed as best to subserve the common good; and .... that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment".[16]

After outlining a broad picture of concentration in the private corporate sector, one may address to oneself the question: How does the Big Business manage to grow so fast? Is it that the large companies and Big Business Houses grow on the strength of the internal resources and profits generated by them? If this was the case there could be one type of justification for rapid growth of the companies. For this one may have a quick look at the profitability of the top 500 companies of the Indian private corporate sector. During the three year period 1981-82 to 1983-84, of the 500 companies covered in the Reserve Bank of India study, 79 companies incurred losses in 1981-82. This number went up to 108 in 1982-83 and further to 138 in 1983-84. In spite of a nominal increase in dividend payments, the average dividend on paid-up capital came down to 12.6 per cent from 13.2 per cent earlier. The number of companies declaring equity dividend of 15 per cent or more came down from 249 in 1981-82 to 238 in 1982-83 and 221 in 1983-84.[17]

The loss making companies are not the ones which are small and isolated entities. The overwhelming majority of these happen to be associated with one or another Big Business group.[18] There is undoubtedly a fairly good number of private sector companies which have shown unique performance in growth as well as profitability. In a way, some of these are a marvel to be admired at first sight. While appreciating the high profitability and gross returns to investments to share-holders, one must not avoid asking if the halo around such companies was more a result of financial manipulations and political patronage or is borne out of violations of the regulatory mechanisms of the society. In a similar manner one needs to examine the factors responsible for the phenomenon of sickness in the Indian industrial sector.[19]

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16. INDIA, Ministry of Law, Justice and Company Affairs, The Constitution of India, (as modified up to 15th August, 1983), p.20.

17. Reserve Bank of India, "Finances of Large Public Limited Companies, 1983- 84", Reserve Bank of India Bulletin, November 1984.

18. The sickness in the Indian Private sector generally gets hidden over time as either some of the sick companies are absorbed in the public sector or they are amalgamated with other profit making companies, very often belonging to the same house. While the phenomenon of nationalisation of sick units is better known, the practice of mergers is relatively unknown. There are several instances of mergers of sick companies with other companies in the same House. Tata Merlin Gerin amalgamated in Voltas, Bally Jute in Birla Jute, J.K. Steel & Industries in J.K. Synthetics, Cooper Engineering in Walchand Nagar Industries, Alkali & Chemical Corporation in IEL, and International Tractor Company in Mahindra & Mahindra are a few cases in point. It is an interesting feature of the larger Indian Corporate Sector that the House of Modis is one of the fastest growing but its overall profits are in the negative; same holds true of the Bangurs and Sarabhais.

19. This is particularly so since a Reserve Bank of India Committee found that in as many as 222 (65 per cent) out of 341 sick units studied management related problems were present. See: RBI, Report of the Committee to Examine the Legal and other difficulties faced by Banks and Financial Institutions in Rehabilitation of Sick Industrial Undertakings and Suggest

The fact that `profits or reserves' have not been the main source for expansion of the private corporate sector is also evident from the pattern of funding of industrial projects, as observed during the past four years. The importance of "Reserves and Surpluses" has varied between 0.63 to 10.5 per cent of the total project cost (See Table 5). The main sources have been the public sector financial institutions and the share capital (which in turn is again substantially funded by the financial institutions). But in the latter half of 'eighties especially 1988-90 the share capital and debentures have been more dominant, while the financial institutions have become relatively less important.

In the process and the mechanism of Business House construction and rapid expansion, with consequential concentration, four factors in our view have played the main role. These are: (i) participation of financial institutions in equity capital; (ii) intra-House corporate investments; (iii) new joint sector enterprises wherein state level

(..continued)

Remedial Measure Including Changes in the Law, 1984.

Sick companies, irrespective of their House association are awarded a variety of fiscal and financial concessions. Given the scope of the present paper it would not be possible for us to go into the nature or the causes for industrial sickness -- this warrants a separate and exclusive treatment -- but the fact is that for individual Houses declaring of a company as a sick one is an economic proposition. To illustrate the point I may give here only two quotes from company annual reports.

(a) In the case of the Tinplate Company of India Limited (a Tata House Company) the company informed its share holders that the financial institutions and Banks have, as part of a programme for revival of the company agreed in principle to grant various package of reliefs, viz (i) to write-off Rs. 300.00 lakhs; (ii) to convert Rs. 200.00 lakhs into equity shares at par out of the accumulated interest on Term Loans as on 31.3.1984; (iii) to fund interest on interest-free basis; (iv) to charge concessional rate of interest on the balance accumulated interest; and (v) to defer repayment of Term Loans and funded interest ... etc., (emphasis added) (See the Annual report of Tinplate Company of India Ltd. for the year 1984-85).

(b) In case of another company the Annual Report observed:
The amalgamation of the former Ahmedabad Laxmi Cotton Mills Co. Ltd. (LCM) with your company was completed in April 1979. The new unit has been named as 'Ankur Textiles', a division of the Arvind Mills Ltd. .... You will find from the Profit & Loss account that no provision for taxation is made for 1979 as the accumulated loss of LCM has been set off against the profits of your Company under Section 72A of the Income-Tax Act, 1961 resulting in tax saving of Rs. 148.90 lakhs. (See the Annual Report of Arvind Mills Ltd for the Year 1979).

Not all companies openly admit the financial advantages from changes in fiscal or financial policies. The limited point to be observed is that the overall concessions to sick units may appear to be common for all but if one were to put together the House wise gain of the concessions announced as a public policy, the main advantage would seem to have been taken by big business companies.

Table - 5

Financing of the Project Cost of Companies Issuing Capital

(Rs. Crores)

S.No.	Source of Funding	Total Cost 1989-90	Percentage to Total Cost								
			1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1.	Reserves & Surplus	52	5.50	10.50	2.80	6.00	1.54	3.04	2.55	2.01	0.63
2.	Capital Market	6963	34.10	46.60	42.90	43.60	44.82	50.60	59.25	52.93	84.14
	(a) Share Capital	4283	18.90	24.70	38.60	35.70	38.76	28.47	47.53	22.80	51.75
	(b) Debentures	2681	15.20	21.90	4.30	7.90	6.06	22.21	11.72	30.14	32.39
3.	Borrowings	1231	59.90	41.40	51.90	48.00	51.79	44.37	37.24	44.08	14.88
	(a) FIs	754	29.50	24.50	34.70	24.70	33.00	28.95	22.92	17.95	9.11
	(b) Banks	158	19.30	7.80	5.00	5.60	5.67	7.53	4.41	4.02	1.91
	(c) UTI/LIC/GIC	25	2.50	2.20	2.10	5.60	1.80	0.96	2.05	0.55	0.30
	(d) State Govts/FI	14	2.60	2.80	4.10	1.70	2.18	1.73	1.41	0.52	0.17
	(e) Others	280	6.00	4.10	6.00	10.30	9.14	5.20	6.46	21.04	3.38
4.	Others	29	0.50	1.50	2.40	2.40	1.86	1.11	0.97	0.98	0.35
	Total	8275	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: 1) Till 1984-85: P.K. Ahuja, "Capital Raised From Public by Non-Government, Non-financial Corporate Sector", Company News and Notes, September, 1986.

2) 1985-86 to 1989-90: Reserve Bank of India, Report on Currency and Finance, Vol. II, Statistical Statements (Various Issues).

institutions join with House companies;[20] and (iv) financial and technical collaborations with TNCs.[21]

We have examined the share-holding structure of the top companies of the Indian private sector. Invariably, large companies happen to have substantial public sector holdings.[22] Out of the top 289 Companies, each with Rs. 10.00 crore assets/turnover, we could obtain the distribution schedules for 204 companies only. Out of the 204 companies only 17 did not appear to have large House association. In the case of 98 companies, the stake of the public sector financial institutions in equity was more than 25 per cent.[23] Taken in terms of House association, the number of companies of the Birlas and the Tatas was the highest, Table-6 shows the distribution of the 204 companies according to the extent of risk capital of the public sector institutions. In contrast to public sector holdings, the members of the Boards of Directors seem to have a very marginal stake. Inter-corporate investments, however, do seem to have an important place; even though in larger companies the largest block of shares is still that of the public institutions or is distributed among a large number of small share holders. Table-7 shows the distribution of a sample of companies as per the extent of direct interest of the Board of Directors and their relatives in their respective companies.[24]

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20. It was a conscious and deliberate decision of the Government to establish SFCs and SIDCs. These were to promote local and new entrepreneurs. In reality, however, the joint sector (in which the SIDCs and central financial institutions hold majority or near majority holdings) have become a system of expansion of large politically influential Houses. The risk is public and profits, private. For the role played by the financial institutions see INDIA, Ministry of Industrial Development Internal Trade and Company Affairs, Report of the Industrial Licensing Policy Inquiry Committee, 1969 (Appendix IV in particular).

21. On top of the above is the process of takeovers, mergers and fairly rapid internationalisation of the Indian Big Business. The attitudes of the Indian industrialists are no more restrictive. Direct involvement of transnational corporations with Indian private big business is becoming a more important feature than it used to be. The character, mechanism and processes which enables fast expansion of private big business needs to be underlined in some more detail.

22. During the controversy over the take-over bids of the ESCORTS and Delhi Cloth Mills (DCM) by Swraj Paul it was brought out that the real issue was not with regard to whether Swraj Paul had more shares than the Nandas in The ESCORTS or the Shriram family in the DCM. The real voice, in determining as to who should have the management control rested with the public sector financial institutions. See S.K. Goyal, "Private Managements and Take-overs of Public-owned companies -- Some Issues for Debate", Corporate Studies Group Working Papers, Volume I.

23. According to the Companies Act, 1956, if more than 50 percent of the shares of a company are held by another company the former is treated as a subsidiary of the latter. In determining the association the FERA has placed the cut off point at 40 per cent; under the MRTPA 1969 for Group of Inter-connected Undertakings the criterion was one-third of the company equity (which is later modified to one-fourth); the Reserve Bank of India, for its survey of Assets and Liabilities had taken 25 per cent equity as an adequate basis to classify a company as foreign controlled. The Dunn & Bradstreet's Who Owns Whom classifies a company as an associate on the basis of 10 per cent share holding.

24. The information refers to a wide period (1980-85). During this period the proforma

Table - 6

The Distribution of Companies of the Large Private Corporate Sector Houses According to the Share of Public Sector

S.No	House	Percentage Share of Public Sector					Total
		0-5	5-10	10-25	25-50	50 & above	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Birla	1	1	7	6	1	16
2.	Tata	3	-	2	10	-	15
3.	J K Singhania	1	-	1	1	-	3
4.	Mafatlal	1	-	4	2	-	7
5.	Thapar	-	-	2	-	-	2
6.	Modi	-	1	1	3	-	5
7.	A C C	-	-	-	1	-	1
8.	Bangur	-	-	-	7	2	9
9.	Larsen & Toubro	-	-	-	1	-	1
10.	Sarabhai	-	-	-	1	-	1
11.	Bajaj	1	-	2	-	-	3
12.	I C I	1	-	1	2	-	4
13.	Mahindra	1	-	1	2	-	4
14.	Shriram	-	-	-	1	-	1
15.	Walchand	-	-	-	1	-	1
16.	Kirlsokar	1	-	1	3	-	5
17.	I T C	-	-	-	3	-	3
18.	T V S Iyyengar	-	-	1	-	-	1
19.	Hindustan Lever	-	1	1	-	-	2
20.	Other Houses	7	4	25	24	6	66
21.	Foreign Controlled Cos.	4	4	18	11	-	37
22.	Other Companies	1	1	5	7	3	17
	Total	22	12	72	86	12	204

Source: Institute for Studies in Industrial Development (ISID), Delhi.

Note : This analysis is based on the Share Distribution Schedules obtained from the companies. For purposes of obtaining the Public Sector share shareholdings of insurance companies, term lending institutions, UTI, nationalized banks, Central and State governments and government companies have been clubbed together.

(..continued)

prescribed by the Stock Exchanges was modified and in the modified format the companies were required to specify the shares held by the Board of Directors and their relatives. While the earlier format contains the particulars of top 10 shareholders, the modified proforma gives a full picture of the share holding structure of the company in terms of different categories of shareholders. This information, thus could be compiled only for 134 companies.

While scrutinising the data on the pattern of share holdings in the large private companies, two main questions stare at the observers. *Firstly,* if the risk capital of the company managements and the other House companies is not very substantial, would it be logical to expect that the House managements would devote their full energies at maximising the profits of the company? And *secondly*, if there are substantial inter-corporate investments, what could be the motivation for such holdings. The main consideration could not be in terms of return on investments. There could, however, be other forms of gains. Unfortunately, information on these aspects is not easily available. It remains a grey area wanting investigations. There are departmental reports but these are kept confidential. For individual scholars, however, there appears to be hardly much scope for inquiry.

Let us take a look at the broad pattern of share-holdings of the largest private sector enterprise in India, namely, the Tata Iron and Steel Company (TISCO). TISCO is under the management of Tatas. The direct interest of the Tata House can be placed at three per cent only in the risk capital of the TISCO,[25] (See Graph - C). Could one expect the Tata directors to be working exclusively for the best interests of the TISCO in which their share was only three per cent, whereas nearly half of the profits would go to the public sector financial institutions and nationalised banks? Alternatively, one may ask: which interest group of share-holders in the TISCO would want the enterprise to have the maximum profits? The direct institutional stake is more than 45 per cent.[26] If one does not question the basic premise that Business Houses are in business and not in social service; one should not expect at the individual company level, that profit maximisation would be the main motivation for company managements to stick to the management control of enterprises like the TISCO. In that case the question would be as to why would a particular House be interested in continuing to hold on to the management? The obvious answer is that the management should be deriving economic and financial advantage in a variety of other forms than merely seeking to earn high dividends on their investments.

The management control carries with it the power to take decisions for the company without having to face inquisitive auditing[27] -- in contrast to public audit or parliamentary accountability, that goes with government enterprises. The managements enjoy the authority to purchase raw materials, hire services, fix sales norms, make agreements, enter into collaborations, operate finances and have a vast discretionary power in company's day-to-day operations. The economic powers enjoyed by the

25. Supra note 21.

26. It may not be out of place to mention the cases of India Cements, Binny and National Rayon, where the financial institutions and the banks intervened to change the managements of the companies in view of the bad state of affairs prevailing in them.

27. The practice of having the same set of auditing firms for all the house companies is a common practice among the big houses in India. Even then very often one finds in company Annual Reports cursory statements like "The auditors remarks are self-explanatory" in lieu of proper explanations by the Board of Directors in response to the qualifications noted by the Auditors.

Table - 7

Distribution of Companies According to the Share of Directors and Their Relatives

(No. of Companies)

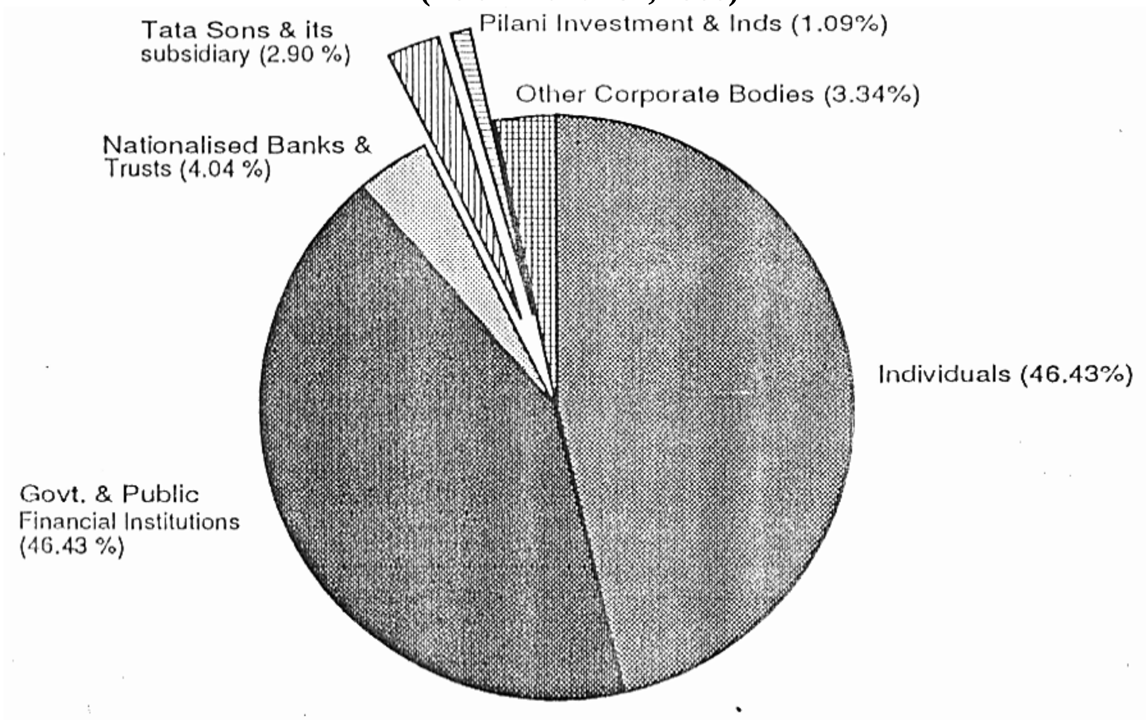
	House	Percentage of shares held by Directors and their Relatives in Company Equity															
		<1	1	2	3	4	5	6	7	8	9	10-15	15-20	20-25	>25	USP	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1	Birla	8	3	1	-	-	-	-	-	-	-	-	-	-	-	4	16
2	Tata	6	-	1	-	-	-	-	-	-	-	-	-	1	-	7	15
3	J K Singhania	1	-	-	-	1	-	-	-	1	-	-	-	-	-	-	3
4	Mafatlal	4	1	1	-	-	-	-	-	-	-	-	-	-	-	1	7
5	Thapar	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
6	Modi	-	-	-	-	1	1	-	-	-	-	-	-	-	1	2	5
7	ACC	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
8	Bangur	5	1	-	-	-	-	-	-	-	-	-	-	-	-	3	9
9	Larsen & Toubro	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
10	Sarabhai	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
11	Bajaj	-	-	-	1	-	-	-	-	-	1	-	-	-	-	1	3
12	I C I	1	-	-	-	-	-	-	-	-	-	-	-	-	-	3	4
13	Mahindra	1	-	1	-	-	-	-	-	-	-	-	-	-	-	2	4
14	Shriram	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1
15	Walchand	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
16	Kirloskar	1	1	1	-	-	-	-	1	-	-	-	-	-	-	1	5
17	I T C	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3
18	T V S Iyyengar	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1
19	Hindustan Lever	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
20	Other Houses	16	4	4	1	2	1	1	1	5	2	1	3	2	5	6	6
21	Foreign Control	23	1	1	-	-	-	1	-	-	-	-	-	-	-	11	37
22	Other Companies	5	-	1	-	-	-	-	-	-	-	-	-	-	2	9	17
	Total (1 -22)	**82**	**12**	**11**	**2**	**4**	**2**	**1**	**2**	**1**	**2**	**5**	**2**	**2**	**6**	**70**	**204**

Source: Institute for Studies in Industrial Development (ISID), New Delhi.

Note: For purposes of this tabulation only those cases where the share-distribution schedules specifically mentioned the share of "Directors and their Relatives (as defined under the Companies Act, 1956)" were taken note of. Also see supra Note 23. USP = Un-specified

Graph C

Share-holding Pattern of Tata Iron & Steel Co Ltd
(As on March 31, 1988)



management of large private corporations can be well visualised. The power exercised by the management of large corporations may be enormous by itself but the real advantage of such power can be optimised only if the same management has other associate network of companies. The potentiality of transferring resources from one company to another would naturally be a function of the company size and the number and variety of other associate companies.

High level of public sector holdings or substantial inter-corporate investments, when viewed for the House as a whole, do prove helpful in demonstrating that the public sector stake in the private Big Business Houses is indeed much larger than what gets revealed, when each company is taken in isolation of the other. We have been seeking to obtain a macro view of the individual Big Business Houses; as also to trace if there were some clear patterns in the intra-House investments. Such models and exercises could be attempted in terms of vertical industry linkages, inter-locking of company Directorships or other key variables. On the basis of the inter-corporate investments one finds three main types of House structures.

(a) Single-Line structure -- wherein each associate company has substantial or main investments held by the apex company. The control mechanism in this set up is obvious and undisputed. Most of the subsidiaries of foreign companies and closely held small groups would tend to fall in this category.[28]

(b) Joint Structure -- in this type of structure there are clearly identifiable two or more centres. This could be an internal phenomenon of a House or it could take place in association with Government or any other large enterprise.

(c) Inter-locking structure -- where House companies have a complicated network of inter-corporate investments. The investments are so managed that marginal resources from the apex House body enable the House to control large resources. For instance, Company A may invest in company B and B in A by the same magnitude, implying no additional resources mobilisation where as the overall size of the House gets inflated. The same effect could be achieved through a chain of investments in a manner that without any additional resource mobilisation or additional input, the apparent stake or the Management gets enlarged.[29]

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28. The house of Shaw Wallace is an excellent example in this regard. Practically all the companies are subsidiaries of the parent company, namely. Shaw Wallace & Co. Ltd. The parent had as many as 28 subsidiaries in the year 1985. Another House which nearly falls in this category is that of United Breweries. United Breweries Ltd. the main company of the House had 30 subsidiaries operating in 1985.

29. The practice of the inter-locking of investments had been well documented by Hazari in his study on concentration and ownership in the private corporate sector. See, Hazari, R.K., The Structure of the Corporate Private Sector. He had noted that "several circular chains of equity investments enable many companies to indirectly purchase their own shares "(p.56).

Charts-A & B show the basic patterns. There is, however, no hard and fast rule that a House must keep to one pattern as its unique entity. In fact, in actual business environment, while there are dominant variants, there can be traces of each pattern present. It appears that the House structures very quickly adopt themselves to demands placed by expansion and family resources. The structures are also considerably influenced by the nature of the regulatory mechanism, the system of concessions, subsidies and preferences and the agility and extent to which the administrative system is able to discover the implications of business practices by structural re-organisation.

The attempt here is not to elaborate on the typology of Indian House structures. The reference to the structures was brought in to show that in terms of risk capital, involvement of public sector financial institutions, is in reality much higher than what gets reflected when each company of a House is taken in isolation. The Inter- corporate investments get canceled out, but the investment of the financial institutions keeps accumulating. If one were to conduct an intensive inquiry into the distribution of equity shares of the industrial Houses, one may discover that the real stake of the managements, **Chart A**

(..continued)

The role played by inter- corporate investments was also studied by Vinod Singhania who observed that a significant proportion of inter-corporate investments is controlled by the industrial companies. (See Singhania, Vinod K., Economic Concentration Though Inter-Corporate Investments, Himalaya, 1980). A few specific examples might make the point clearer. For instance, Kirloskar Brothers Ltd held 74,994 shares of Rs. 10 each in Kirloskar Electric Co. Ltd. In its turn, Kirloskar Electric Co held 50,00 shares of Rs. 10 each in Kirloskar Brothers in 1984. (See Annual Reports of the respective companies for the year 1984).

Interestingly enough, in its Annual Report for the year 1982-83, TISCO informed its shareholders that it had taken up a part of the shares being offered by Tata Sons of Tata Industries Ltd. According to the company:

Tata Industries Ltd. proposed to enlarge the scope of their activities and were interested in promoting new projects which would be implemented by them jointly with other Tata Companies. With this objective and with a view to enabling other Tata Companies to participate in such new activities. Tata Sons Limited, the holding Company of Tata Industries Ltd decided to offer a part of their holding in Tata Industries Ltd to various companies.

Thus while Tata Sons would get the money from companies in which share of the house interest is very little, Tata Sons would still be able to control Tata Industries through the public companies. In a sense, it would get back at least a part of investment in these publicly owned companies via the sale of Tata Industries shares for further expansion of its activities.

Another case of interest is of the three erstwhile FERA companies which had diluted their foreign equity to avail of the liberal licensing policies. Mcleod Russel, Makum Tea and Namdang Tea companies came to an understanding to issue some shares of each of the companies to the remaining two. It is observed that the net transaction among them would be zero, while this would effectively give the foreign shareholder control on each of the three companies.

Single Line Structure

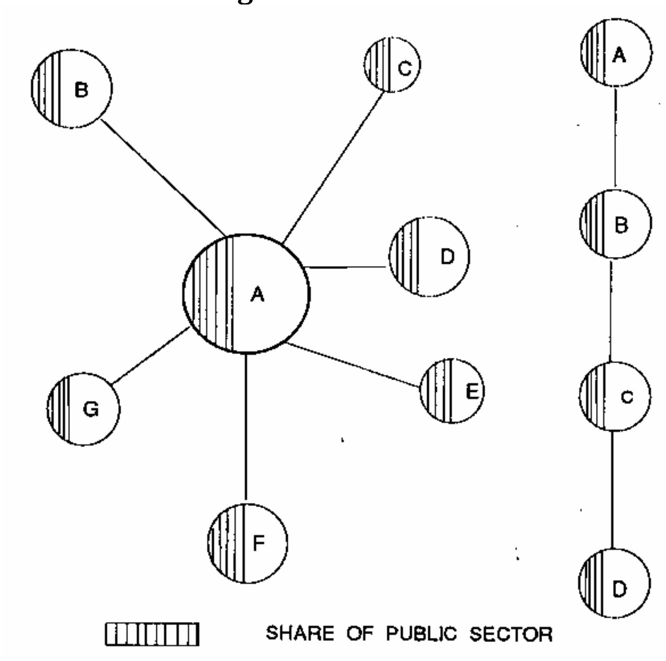
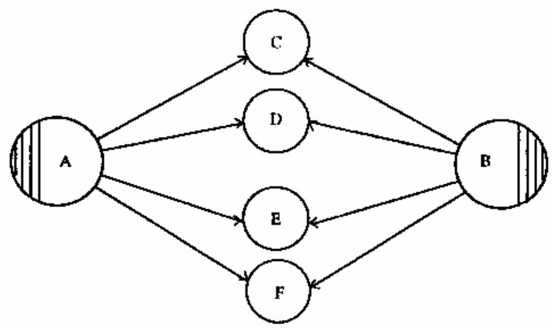
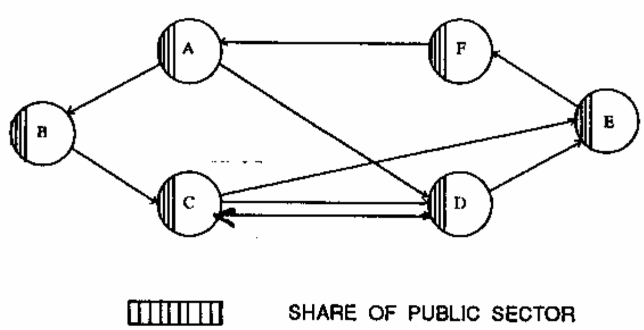


Chart B

Joint Structure



INTER-LOCKING STRUCTURE



families, closely held companies, and private Trusts etc. is marginal, whereas they do happen to enjoy command over vast financial and other resources of the society.

The process of rapid expansion of the Big Houses has been assisted in a meaningful manner by financial and technical collaborations. For obvious reasons transnational corporations would prefer to join in establishing joint projects with large companies and the Houses which command control over large economic resources, enjoy high status as also have capabilities to obtain political and administrative patronage. International monopoly capital would only join hands with entrepreneurs who are at least constituents of the national monopoly capital.[30] The size of the TNC-Indian Big Business venture has to be large; it cannot be small scale! Take the establishment of Tata Engineering Locomotive Company (TELCO). It is a joint venture of the Tatas and the Daimler-Benz; Voltas was formed by Volkart Brothers and the Tatas; and Associated Bearing a joint venture of the Tatas and Atkiebolaget Svenska Kullagerfabriken of Sweden. One needs hardly mention the Tata-Burroughs, Tata-Finlay, Tata-Yodogawa, Tata-Robins-Fraser, etc.. In case of Birlas, the Hindustan Aluminum came up with financial collaboration of Kaiser Aluminum and Chemical Company of the USA, Zuari Agro Chemicals with Armour Co. of the USA and Century Enka with AKZO of the Netherlands. Birla-Yamaha is one of the recent instances.

Many of the transnationals which had been operating as single companies have now become big Houses with multiple associates and subsidiaries. The ICI, Hindustan Lever, ITC, Brooke Bond, GEC, and Philips are the well known instances. Their growth too has been phenomenal.

II

In Part-I an effort was made to sketch out the structural and control aspects of the Indian private corporate sector. These may be treated as background to what follows. It has been shown that during the past couple of decades there has been a reasonably good growth of the Indian private corporate sector; the growth rate has, however, been faster with the larger companies and a phenomenal one with the top Business Houses. *Secondly*, the evidence provided showed that the process of growth in private corporate sector has come about with substantial support of the public sector financial institutions. In an economy where financial institutions including insurance companies and commercial banks happen to be in the government/public sector, the dependence of the private corporations on loans and other banking support is only too obvious to deserve more discussion. Therefore, there was no need to specifically refer to the non-risk financial support. The presentation, by choice, illustrated the extent of risk capital provided by the public sector

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30. S.K. Goyal, "Impact of Foreign Subsidiaries on India's Balance of Payments", a study conducted for the UNCTC-ESCAP, p. 22.

financial institutions. An attempt was also made to present the mechanism of fast construction (or emergence) of massive conglomerates, generally known as Business Houses in India. The four clearly identifiable factors responsible for the rapid expansion in the numbers and the size of Big Business House phenomenon are:

(a) The system of inter-corporate investments;

(b) The wide participation of public sector financial institutions in the risk capital;

(c) The growing inter-locking and business collaborations of Transnational Corporations and large private companies; and

(d) The entry of state level corporations in establishing 'joint sector' projects in which the obtaining of industrial licences, foreign collaborations, financial and other infrastructural support is organised by the State Governments but the management is left to the private co-promoter/private company which in larger projects happens to be an associate company of one or the other Big Business Houses.

The above four factors have been the major contributors. But, one should in no way discount the role of a variety of economic policies in their true content and implementation than the original intentions and the changed nature of public concerns -- irrespective of the reasons which might have been responsible for the new idiom and the socio-economic environment.

In terms of the profitability criterion, the private corporate sector as a whole, does not give an impressive account of itself. The phenomenon of sickness is not only confined to one industry, namely, textiles; it is related to mismanagements and a variety of other manipulative practices.[31] It would, however, be a wholly misplaced conclusion to say that there are no success stories of the private entrepreneurs or Companies under Large House managements having a sound and profitable track record of financial performance. For instance, the rise of the Reliance has been meteoric. It is not uncommon to come across nation-wide publicity campaigns showing the annual rate of return on investments as high as 70 per cent or more by some of the Big Business controlled companies. There are certainly a few 'blue chips' in the Indian share market.

The fast expanding companies -- an interesting aspect of the Indian private sector's high growth -- have among them those enterprises who have been at the 'zero level' of tax obligations.[32] Even when there were profits thanks to the structure of the Indian fiscal

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31. According to a study by the Reserve Bank of India, of the 378 sick units examined, more than half were turned sick either due to mismanagement or management deficiencies or infighting among the persons controlling the units.

32. Reliance Industries Ltd., for instance, has not provided for any corporate tax in its annual accounts during the period 1979 to 1985 where as TELCO did the same during 1977-1983. For the subsequent years 1983-84, 1984-85 and 1985-86 tax provided for by TELCO amounted to only 10.86, 14.42 and 7.63 per cent respectively of the respective year's profit

system, there is little obligation to make payments as corporate tax. There are a variety of tax exemptions, incentives, subsidies, concessions and these permit higher returns to share-holders (as dividends and appreciation of value of shares).[33] The Indian capital market being a limited one, the gains of such corporations though appear to be shared by large many in numbers, in reality, the lion's share of the financial gain goes to a small section of the population and what is called the category of "closely held and associate companies, relatives and friends."[34]

If one looks at the fast expanding and high-return- to-shareholder companies, one may find that invariably the impressive business performance is a projection of the 'wizardly' capabilities of the master-mind behind such companies and the capacities of the companies' tax planners rather than the contributions of these corporations in the area of cost reduction, productivity, technological breakthroughs or internal company reforms and more professionalism in management. To maximize the business advantage, one has to identify the technical loopholes in tax laws and adjust the company financial statements in the optimal mix and exercise pressure through lobbying for special concessions and exemptions which would enable them to expand. There can be two view points with regard to high profitability and zero or low tax obligations. One, that these corporate bodies tune their investments and corporate decisions exactly in the manner and style in which the Government wants them. These companies might appear to have accepted the norms and priorities of the state, and by doing so, are able to deliver high return on the share holders' investments. If so, the managements of these companies would argue, why should there be an accusing finger raised towards them? And on the other hand a view could be that policy makers were responsive and considerate to adopt policies, in response to the

(..continued)

before tax (See: Bombay Stock Exchange Official Directory, 1986 loose leafs).

33. A number of incentives are provided if the companies undertake to export, set up manufacturing units in industrially backward areas, participate in rural development programmes, or invest in R&D etc. In Government, strangely enough, there is no system to quantify the precise loss of revenue to the state due to these concessions and exemptions. For example, assuming a uniform tax rate of 55 per cent on corporate profits, it comes out that the exchequer had forgone nearly Rs. 600 crores during the three year period 1984-85 from the top 535 companies alone. Interestingly enough, the largest among these were paying a lower percentage of their profits as corporate tax than smaller companies. The tax provision as a percentage of profit before tax in case of 13 companies with Rs. 25 crores and more of PUC works out to be 18.4, 21.1 and 18.3 per cent for the years 1982-83, 1983-84 and 1984-85 respectively when compared to the average rates of 35.1, 43.6 and 41.2 per cent, respectively for the total (Based on the information provided in the Reserve Bank of India, "Finances of Large Public Limited Companies, 1984-85", Reserve Bank of India Bulletin, December, 1985). It also needs to be mentioned that in practice the tax figures reported in Company Annual Reports turn out to be much larger when compared with the figures submitted to the tax authorities. The extent of loss to the exchequer would indeed be higher than the above estimate.

34. The phenomenon of insider trading is only too well known to be elaborated here. Those who have the knowledge of the working of the company and those who are going to take decisions for the company can easily pass on the information to relatives or use dummies to get underhand advantage from the market.

representations from certain influential private entrepreneurs; or, the public sector financial institutions were able to influence the process of decision making in government in a manner that specific fiscal measures got evolved to protect and promote interests of the public sector financial institutions. Whatever may be the reason there can be no denying of the hard reality that a good number of enterprises grew fast and the public exchequer made a substantial contribution to their growth.

At the macro-level one will need to take a view on such a phenomenal growth of the few. As a public policy the objective can never be to assist growth of a few and this too for all times to come. There would have to be re-adjustments. It is also not that a financial wizard can play the same game life long. Economic history of business is full of instances of rise of private giants as also of crashes and nosedives. One does not wish to be a 'kill joy' for individuals who put stakes at the stock exchange; there is, however, a need in India to raise questions in terms of the future and the concerns for a stable process of industrialization. In an advanced and capitalist society like the USA there could be a view that as long as there is good reward for investors in the corporations there was hardly an issue for public concern. If a few companies got liquidated or closed down it did not matter. While such could be a quick response regarding the experiences of an industrially advanced capitalist country, it cannot also be denied that threat to automobile manufacturers and individual large companies in electronics, even in the recent past, did become a matter of government and public concern in USA. In a developing country like India, apart from the fact that the large private corporate sector (comprising of Big Business and large sized companies) has grown primarily at public cost and with a variety of direct and indirect support, and the significance of the private large enterprises is such that the future of these cannot be left at the total discretion of private interests.

Projecting one's vision into the future, on the basis of the experience in India and abroad, it does appear to us that there is bound to be a process of dis-integration of the family based private conglomerates.[35] The Indian Big Business Houses are family and individual based -- more in terms of control and coordination and less in risk sharing. While the family hold on individual closely held companies would certainly continue, the conglomerates (Business Houses) with wide dispersal of shares, large share holdings of public financial institutions and heavy dependence on the inter-corporate investments, would have to break down. The dis-integration may some time be a result of internal contradictions of the family based Business Houses, or at other times due to outside policy interventions. This may start happening much earlier than many would expect to-day. One may be wrong on timings but the process is an inevitable one. For policy makers the

35. A number of changes have been happening in the large private sector which have not received much attention. While new Houses like Reliance, Nagarjuna, Mallyas, Jhawars, TCI, Ruia Bros and Piramals, are emerging some of the older ones like Martin Burn, Kamanis, Andrew Yule, China is etc. have practically disappeared. Moreover, Houses like Wallace, EID Parry, Gillanders Arbuthnot have been absorbed in other Houses. Infighting in a few of the industrial families comes into the open and often talked about. The convulsions the Sarabhai House is going through are really sad.

challenge is not in avoiding the discharge of their public obligations, by drawing themselves into a shell. On the contrary they should be able to foresee the inevitable and start exploring the alternative models in national interest.

In more ways than one large private enterprises should be as much a matter of concern for the government as the government sector corporations. This is necessary for ensuring a coordinated pattern of investments and asset utilisation in the broad framework of planned socio-economic development in India. If there is need to acquire and adopt modern scientific technologies in production processes, there is equally, and probably, a greater need to revise the old concepts, managerial and control structures in managements and control mechanisms. For evolving of such an approach the basic pre-requisite lies in having an objective assessment of the realities of the corporate sector to obtain an understanding of the true nature, main characteristics, motivations, the formal and informal control structures and other business practices.

Let us now take a few of the specific policy issues which are currently being debated. There is a view, widely shared by many in the policy making circles, that the Indian economy has been subjected, for too long a period, to excessive regulations and physical controls. In specific, the system of industrial licensing has proved to be counter productive. Therefore, under what has generally been known as new economic policy, the coverage of the licensing system has been reduced in a substantial manner. The assumption is that with removal of restrictions on new investments there would be an all round improvement in the economic situation. Investments would pick up and the country would witness a high rate of growth.

The results of such a policy have already started surfacing. There is growth but it is confined to a small section. The furtherance of concentration in the private corporate sector is one inevitable consequence. The plea for enabling the industry to harness economies of scale alongwith cost reduction through adoption of more efficient technologies was well argued but there does not appear to be any evidence of such a process showing itself in price reduction for consumers -- except, however, for computers, televisions, stereos and some varieties of other electronics and elite consumer items in which the prices have been substantially reduced; though this has not been due to the efforts of the Indian manufacturers. The international prices of these goods have crashed and, since import component in these products has been high this cannot be described as a miracle. In addition to this liberal imports and reduction in excise and other taxes for such commodities was bound to result in a downward trend in the prices.

We are conscious that there is little need to put forth a fresh defence for industrial licensing system.[36] It may, however, be necessary to bring out one industrial reality not

36. The author's association with the Industrial Licensing Policy Inquiry Committee (ILPIC)during 1967 and 1969 provided an opportunity to study and learn the operation of the regulatory systems with respect to the Indian corporate sector. Subsequently, the studies at the Corporate Studies Group have confirmed that without hard choices and effective implementation, the system cannot be expected to deliver results.

very well known or shared. First, a survey of industrial capacities of the private sector for the year 1979-80 showed that the sector had large under-utilised capacities--both as installed to licensed, and, production to installed ratios.[37] It would be surprising to note that even the Large Houses have a number of unutilized licences (see Table-8). While there was a very low rate of capacity utilisation in the private industry as a whole, there were some products in which the private industrialists had been engaged in open violations of the official licensing policy. The licensing violations, it so happened, were more by the foreign controlled companies and companies belonging to Big Business Houses than by the rest of the private corporate sector. An analysis of the licensing violations also showed that the violations were concentrated in such areas which happened to have been ear-marked for development in the cottage and small scale sectors. Above all it was also observed that no single case had been brought to book inspite of repeated references to specific cases of violations of the regulatory legislation, in reports of public inquiries, parliamentary debates, press reports and representations from small scale industry associations.[38] Instead the government preferred to regularise the unauthorised capacities through capacity re-endorsement schemes.[39]

Existence of large un-utilised industrial capacities is well recognised by the policy makers. In fact, the criticism, a valid one indeed, has been that due to low capacity utilisation the Indian industry has been suffering from high production costs. If this was believed to be the case one would have thought that all out efforts would be made to utilise the already sunk national capital; and not to give more freedom to the industrialists for new and additional capacities. The licensing system could not be taken as the villain. There is, if any, a case for a more rigorous implementation of public policies and for making the regulatory mechanisms more effective. The licensing relaxations, a component of the liberalisation package would in any case have little meaning for those who already hold licences and have un-utilised capacities. The real advantage, however, would be reaped by those who would otherwise have been penalised for economic violations by way of entry or expansion of capacities reserved, as a national economic

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37. Corporate Studies Group, Functioning of Industrial Licensing System: A Report, Indian Institute of Public Administration (mimeo), 1983.

38. Many of the Big Business companies and TNCs were not only violating licensing norms with regard to products reserved for the small scale sector, but also set up small scale units to take advantage of concessions and facilities meant for the small sector. For an account of the ways in which such benefits were being availed by the large sector, see: Goyal, S.K. et.al. Small Scale Sector and Big Business, Indian Institute of Public Administration, 1984, (Mimeo).

39. Replies to Parliament Questions in 1983-84 provide details on capacity re-endorsement cases in the drug industry. Of the 37 cases involving bulk drugs, in 25 cases the reported re-endorsed capacity exceeded the then existing licensed capacity by over 100 per cent. Three companies, Organon India, Wyeth Labs and Searle Indian were allowed to regularise capacity for bulk drugs which was more than 1000 per cent over the licensed capacity. See: Goyal S.K., "A Preliminary Survey of Excess Industrial Capacities with the Indian Corporate Sector", Corporate Studies Group Working Papers, Volume I, for an analysis of the capacity re-endorsement policy introduced in 1980.

Table - 8

The Distribution of Licences Held by the Top 20 Industrial Houses According to the Extent of Utilization (Production to Licensed)

S.No. Industrial Houses	No. of Licences in Utilization Range Zero (%)	1-25 (%)	25-60 (%)	60-100 (%)	Total Licences Studied
(1)	(2)	(3)	(4)	(5)	(6)
1. Birla	50	38	39	52	220
	(22.7)	(17.3)	(17.7)	(23.6)	(100.0)
2. Tata 57	40	51	31	198	
	(28.8)	(20.1)	(25.8)	(15.7)	(100.0)
3. Mafatlal	5	11	8	8	35
	(14.3)	(31.4)	(22.8)	(22.8)	(100.0)
4. J.K. Singhania	7	10	6	7	35
	(20.0)	(28.6)	(17.1)	(20.0)	(100.0)
5. Thapar	9	7	9	11	43
	(20.9)	(16.3)	(20.9)	(25.6)	(100.0)
6. Sarabhai	2	0	1	4	7
	(28.6)	(0.0)	(14.3)	(57.1)	(100.0)
7. Bangur	7	4	10	5	29
	(24.1)	(13.8)	(34.5)	(17.2)	(100.0)
8. I.C.I.	1	4	4	10	24
	(4.2)	(16.7)	(16.7)	(41.7)	(100.0)
9. A.C.C.	4	3	1	2	10
	(40.0)	(30.0)	(10.0)	(20.0)	(100.0)
10. Shri Ram	11	11	3	13	44
	(25.0)	(25.0)	(6.8)	(29.5)	(100.0)
11. Kirloskar	19	36	18	9	84
	(22.6)	(42.9)	(21.4)	(10.7)	(100.0)
12. Hindustan Lever	0	4	0	1	13
	(0.0)	(30.8)	(0.0)	(7.7)	(100.0)
13. Larsen & Toubro	8	16	7	9	43
	(18.6)	(37.2)	(16.3)	(20.9)	(100.0)
14. Modi	3	1	4	10	22
	(13.6)	(4.6)	(18.2)	(45.5)	(100.0)
15. Chowgule	1	1	0	1	3
	(33.3)	(33.3)	(0.0)	(33.3)	(100.0)
16. Bajaj	6	11	2	11	32
	(18.8)	(34.4)	(6.3)	(34.4)	(100.0)
17. Lalbhai	6	3	7	4	22
	(27.3)	(13.6)	(31.8)	(18.2)	(100.0)

Note : 1 The Tin Plate Co. of (I) Ltd. which is inter-connected with companies both of Oil India and Tata Houses is included in the House of Tatas. No company belonging to Scindia and Bhiwandiwala Houses is represented in the Survey of Company Annual Reports for the period 1979-80.
2 Figures in brackets are percentages calculated with respect to the House totals.

Source: The Corporate Studies Group, Functioning of Industrial Licensing System, A Report, January 1983.

policy, for public sector, or small and cottage industries. Under the situation, de-licensing is likely to hurt those who had some protection under the reservation mechanism.

In this regard it is suggested that physical controls can be substituted by fiscal and monetary policies. This could certainly be an alternative if India had a delivery system that could reach those who were not well versed with the intricacies of law and if the administrative system could be assured to be as responsive for the small as it has been for the influential and the rich. In any case fiscal and monetary systems function well when information and access to market mechanism is free and un-restricted. The plea for substitution of physical controls by fiscal controls also does not take note of the fact that in an economy, ridden with wide disparities, the reliance on financial instruments has serious limitations.

The policy making circles in India, it is generally believed, have been discussing the need for initiation of a process which has come to be known as `privatisation` of government enterprises. The suggestion is based on the assumption that public sector managements cannot demonstrate dynamism and foresight that make the private business perform. Many of the public enterprises in India have been running under losses, have low capacity utilisation, and high production costs due to overstaffing and wastages. These features, it is argued, are inevitable when bureaucratic systems are installed in enterprises which need to be run on business principles. In this regard we wish to make only these brief observations. The question of financial returns and profits in the Indian public sector has never been very clear. If highest financial returns is to be the motivation, then why call it a public sector? One thought that public sector owed its origin to public concerns, especially in a society ridden with extreme disparities in ownership of wealth and incomes. But quite apart from the purpose and objectives, one does not understand how commercial enterprises operating in a monopoly and near monopoly market structure can remain loss making. Of course, these enterprises would have to be given the freedom to fix prices on the principle of what the market can take. Loss making public enterprises can overnight be made into high profit yielding enterprises only if the Government was ready to take hard decisions on its own. Privatisation only shifts the burden to take hard decisions.[40] The process of privatisation cannot bring-in efficiency by itself. But quite apart from this, as outlined earlier, is not the Indian large private sector indeed a `privatised sector` of the Indian economy? It is true that government enterprises have been running under losses. What one should ask is if it is inherent in the very nature of these enterprises that these have to make losses or the PEs make losses because the Government does not wish to give them the autonomy that company managements enjoy in the private sector.

Another important component of the policies towards liberalisation of the economy has been in the overall approach to liberalised imports and a new thrust on stepping up of exports. There is also the argument for encouraging big business and especially the TNCs

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40. Goyal S.K., "Privatisation of Public Enterprises: Some Issues for Debate", Paper presented in IPE-London Business School International Seminar on Public Enterprise Policy in the Eighties. February 11- 14, 1985, Hyderabad.

to achieve this end. One cannot go into the variety of assumptions that the policy makers have made. We shall only highlight some aspects of the export performance of the Large Houses and foreign controlled companies.

The need to raise the level of exports from India has for long been assigned a priority. A variety of fiscal and monetary concessions are available to exporters from India. In addition to the financial advantages, in the recent past the foreign trade rules have been simplified and regulatory provisions set aside. As a consequence of the efforts made at promotion of Indian exports, it is believed that the country would emerge as an important exporter in the world market. Such an expectation does not appear to be well justified. The relative position of india in the world exports has not changed for the better.[41] The export related issues need to be examined in more detail. At the present moment we wish to draw attention to the performance of the large private corporate sector. This may be specially relevant as the new thrust towards export promotion places a considerable faith on the capacity of large enterprises to deliver goods. The data for the largest 400 companies of the private sector, for which information is available for 1975-76 and 1983-84 would suggest that:

i) Between the period 1975-76 and 1983-84 the value of exports by them rose from Rs. 493 crores to Rs. 803 crores i.e. growth rate of nearly 7.85 per cent per annum;

ii) During the same period the imports of these companies, however, rose from Rs. 358 crores to Rs. 1196 crores, i.e. an annual growth rate of 29.26 per cent;

iii) In view of higher rate of increase in imports as compared to exports, the net foreign exchange outflow due to their trade and other operations was Rs.462.00 crores during 1983-84 as against Rs. 93.00 crores in 1976;

iv) If one takes the value of exports as a percentage of the overall turn-over, one finds that the Indian large private sector is far less export oriented in 1983-84 than in 1975-76 (See Table-9);

v) Transnational Corporations operating in India are increasingly looking towards domestic market for expansion;[42] and

vi) The pattern of foreign currency utilisation for 1976 and 1984 would reveal the continuation of "raw materials" as the single most important item of imports.

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41. In 1960, the country`s share in total world export, stood at 1.04 per cent. This declined to 0.42 per cent in 1970 and by 1980 it had further dipped to 0.04 per cent (See INDIA, Ministry of Commerce, Report of the Committee on Trade Policies, Dec. 1984, p. 100).

42. Of the 400 companies for which information was available for 1975- 76 and 1983-84, 104 were initially registered under the Foreign Exchange Regulation Act, 1973. While in 1975-76 the percentage of exports in sales turnover was 6.03, it had declined to 5.10 in 1983- 84.

Table - 9

Distribution of Companies According to Export Intensity (1976-84)

(No. of Companies)

S.No	Percentage Range	1975-76	1983-84
	(1)	(2)	(3)
1.	0	108	135
2.	0 - 2.5	110	144
3.	2.5 - 5.0	55	43
4.	5.0 - 10.0	65	47
5.	10.0 - 15.0	19	10
6.	15.0 - 25.0	28	15
7.	25.0 - 40.0	9	2
8.	40.0 - 50.0	1	3
9.	50.0 and above		5
	1		
	Total	400	400

Source: Based on an analysis of the foreign exchange utilisation data of companies having PUC of Rs. 1.00 crore or more in 1983-84.

Here the attempt is not to argue that exports should not be promoted. The question being raised is: At what cost and by whom? Does India need to follow the export strategy which does not add to the net earning capabilities on the one hand and leads the economy towards higher concentration on the other? One needs to examine and debate such live issues having long-term implications.

A few policy alternatives with regard to the Indian private corporate sector may be put forth for discussion. The basic assumptions underlying these and which emanated from the above presentation are:

a) The large private corporate sector has acquired a significant place in the Indian economy;

b) Because of its size and place in the Indian economic system any distortions in the sector would have high economic costs;

c) If one goes by the extent of direct and indirect share in the equity in individual companies as also in the privately managed and controlled House companies, public sector financial institutions taken together are the single largest shareholders. Infact the macro picture would reveal that the share of the public sector financial institutions is a multiple of the net risk borne by those who happen to enjoy management control;

d) The old and traditional systems of control and managements need to reform their structures and bring in more rational system of social accountability than what has so far been true;

e) There is a need for the investment pattern to be governed by national plan priorities than by considerations of the effective market demand;

f) There is a need to review the very logic, merits and demerits of the traditional family based business House concept;

g) There could be serious long term implications of the trends which seem to suggest that India was witnessing a rapid growth in concentration of productive wealth in a few private hands; and these trends have been partly due to the very nature of the economic system and partly as a result of the self assigned "on lookers" role by the public bodies; and

h) That there is a need to have more critical investigations and empirical verification as input for the process of public policy evolution.

In view of the above mentioned assumption, one would put forth the following as policy alternatives:

1) Let there be a recognition that all large sized corporate entities, irrespective of the fact of today's classification as `private sector` and `public sector` be declared as constituents of sector of national importance;

2) There should be intensive monitoring of these companies with a view to bring in professional managements;

3) An industry-wise review should be done with regard to size, technology, location and the desired production basket. The plan could examine mergers, or break-ups, as per technology requirements and weed out high cost, un-economic and low technology units;

4) The nationally important sector companies should be given clearly defined specific objectives on which the performance of the managements would be reviewed periodically;

5) There should be public norms which provide for incentives and penalties to those involved at different levels in these large sized corporations; and

6) In view of the national requirements of earning adequate foreign exchange there should be an export plan for each sector.

These proposals are only by way of outlining of an approach. One cannot expect readymade answers for all the questions which may arise while having a serious view of the new approach.

Annexure - I

Illustrative List of Joint Sector Companies Promoted by State Industrial Development Corporations in Association with the Large Industrial Houses

S.No.	Name of Joint Sector	Name of the Promotor	House Association	State
	(1)	(2)	(3)	(4)
1.	WEBEL Jyoti Power Electronics Ltd	Jyoti Ltd	Amin R K	West Bengal
2.	Andhra Petrochemicals Ltd	Andhra Sugars Ltd	Andhra Sugars	Andhra Pradesh
3.	Madhya Pradesh Fibres Ltd	Apeejay-Surrendra Group	Apeejay	Madhya Pradesh
4.	AutomotiveCastingsLtd	Ashok Leyland Ltd	Ashok Leyland/FCC	Tamil Nadu
5.	Maharastra Scooters Ltd	Bajaj Auto Ltd	Bajaj	Maharashtra
6.	Girnar Scooters	Bajaj Auto Ltd	Bajaj	Gujarat
7.	Mysore Petrochemicals Ltd	Shekavati Invst Corpn Ltd	Bangur	Karnataka
8.	Uptron Shreetronix Ltd	Amalgamated Devt Ltd	Bangur	Uttar Pradesh (1)
9.	West Bengal Pulpwood Devt	Titagarh Paper Mills Co Ltd	Bangur	West Bengal
10.	Bihar Caustics & Chemicals Ltd	1. Gwalior Rayon Silk Mfg & Wvg Co Ltd 2. Hindustan Aluminium corpn Ltd 3. Pilani Invt Corpn Ltd	Birla	Bihar
11.	Gujarat Instruments Ltd	Taylor Instrument Co (I) Ltd	Birla	Gujarat
12.	Nicco Orissa Ltd	National Insulated Cable Co	Birla	Orissa
13.	Tamil Nadu Flourine & Allied Chemicals Ltd.	1. Gwalior Rayon Silk Mfg & Wvg Co Ltd 2. Hindustan Aluminium Corpn Ltd 3. Pilani Invt Corpn Ltd	Birla	Tamil Nadu
14.	Malabar Building Products Ltd	Hyderabad Industries Ltd	Birla	Kerala
15.	West Bengal Alloy Steel Ltd	Texmaco Ltd	Birla	West Bengal
16.	Vindhya Telelinks Ltd	Universal Cables Ltd	Birla	Madhya Pradesh
17.	Western India Sponge Iron Co	Gwalior Rayon Silk Mfg & Wvg Co Ltd	Birla	Maharashtra
18.	Krishna Heavy Chemicals Ltd	Birla Eastern Ltd	Birla	Andhra Pradesh
19.	Webel Texmaco Electronics Ltd	Texmaco Ltd	Birla	West Bengal (2)

(Contd...)

	(1)	(2)	(3)	(4)
20.	Eastern Organics Ltd	Hindustan Heavy Chemicals Ltd	Birla	
21.	General Synthetic Corpn Ltd	Birla Eastern Ltd	Birla	West Bengal
22.	Zenith Fibres Ltd	Birla Eastern Ltd	Birla	West Bengal
23.	Neptune Papers Ltd	1. Sirpur Paper Mills Ltd 2. CentralIndiaInds. Ltd 3. Vimal Invts Ltd	Birla	West Bengal
24.	Karnataka Pulpwood Ltd	Gwalior Rayon Silk Mfg. & Wvg. Co. Ltd	Birla	Karnataka
25.	Indo-Gulf Fertilizers & Chemicals Corpn Ltd 3. Indian Rayon Corpn Ltd	1. Gwalior Rayon Silk Mfg. & Wvg. Co. Ltd 2. Hindustan Aluminium Corpn Ltd	Birla	Uttar Pradesh
26.	Southern Petrochemical Industries Corpn. Ltd.	Chidambaram M A	Chidambaram M A	Tamil Nadu
27.	Southern Agrifurane Inds Ltd	Chidambaram M A	Chidambaram M A	Tamil Nadu
28.	Tamil Nadu Petroproducts Ltd	Southern Petrochemical Inds. Corpn. Ltd	Chidambaram M A	Tamil Nadu
29.	Tuticorin Alkali Chmls & Fertilizers Ltd	Southern Petrochemical Inds. Corpn. Ltd	Chidambaram M A	Tamil Nadu
30.	Tamil Nadu Pearls Pvt. Ltd	Southern Petrochemical Inds. Corpn. Ltd	Chidambaram M A	Tamil Nadu
31.	Mandovi Pellets Ltd	Chowgule & Co Ltd	Chowgule	Goa (3)
32.	Gujarat Heavy Chemicals Ltd	Golden Tobacco Co Ltd	Dalmia J	Gujarat
33.	J & K Cigarettes Ltd	Golden Tobacco Co Ltd	Dalmia J	Jammu & Kashmir
34.	North Eastern Tobacco Co Ltd	Golden Trading Co, Bombay	Dalmia J	Assam
35.	Webstar Ltd	Dunlop India Ltd	FCC	West Bengal
36.	Premier Morarji Chemicals Co Ltd	Premier Enterprises Pvt Ltd	Dharamsi Morarji Kerala	
37.	Gujarat Drugs & Chemicals Ltd	Infar India Ltd	Dunlop/FCC	Gujarat
38.	Punjab Anand Lamp Inds. Ltd	N.V. Philips, Netherlands,	FCC/C.L. Anand	Punjab
39.	Indtech Speciality Chemls Ltd Specialities Ltd	Indrol Lubricants &	FCC	Karnataka
40.	Noble Explochem Ltd	Aktiebolaget Bofors, Sweden	FCC	Maharashtra
41.	Orissa Extrusions Ltd	Indian Aluminium Co. Ltd/ICI	Larson & Toubro	Orissa
42.	Rajasthan XLO Sanwa Midland Ltd	XLO India Ltd	FCC/XLO	Rajasthan
43.	Webel Precision Inds Ltd	G K W Ltd	G K W /FCC	West Bengal (2)
44.	Deccan Fibre Glass Ltd	Phillips Carbon Black Ltd	Goenka K P	Andhra Pradesh

(Contd...)

	(1)	(2)	(3)	(4)
45.	Webel Video Devices Ltd	G P Goenka	Goenka K P	West Bengal
46.	Gujarat Carbon Ltd	Phillips Carbon Black Ltd	Goenka K P	Gujarat
47.	Wiltech India Ltd	Asian Cables Corpn Ltd	Goenka K P	Karnataka
48.	Consolidated Fibres & Chemicals Ltd	G.P. Goenka	Goenka K P	Tamil Nadu
49.	Phenol Corpn of Gujarat Ltd	Duncan Brothers & Co Ltd	Goenka K P	Gujarat
50.	Haldia Petrochemicals Ltd	R P Goenka	Goenka K P	West Bengal
51.	India Polyfibres Ltd	Phillips Carbon Black Ltd	Goenka K P	Uttar Pradesh
52.	Karnataka Telecables Ltd	Asian Cables Ltd	Goenka K P	Karnataka
53.	Upcom Cables Ltd	Ceat Investment Ltd	Goenka K P	Uttar Pradesh
54.	Light Metal Inds Ltd	India Foils Ltd	Macneil & Magor	West Bengal
55.	Maharashtra Weldaids Ltd	Indian Oxygen Ltd	ICI/FCC	Maharashtra
56.	Eastern Explosives & Chml Ltd	IDL Chemicals Ltd	ICI/FCC	West Bengal
57.	Gujarat Hotels Ltd	I T C Ltd	I T C/FCC	Gujarat
58.	Orissa Synthetics Ltd	Straw Products Ltd	J K Singhania	Orissa
59.	Bihar Synthetics Ltd	J K Synthetics Ltd	J K Singhania	Bihar
60.	Gujarat Wedge Wire Screens Ltd	Behubor Investment Ltd	Jardine Handerson	--
61.	Rajasthan Glyoxal Ltd	N.K. Jhunjhunwala	Jhunjhunwala	Rajasthan
62.	Gujarat Aromatics Ltd	1. Raipur Mfg Co Ltd 2. Arvind Mills Ltd 3. Aruna Mills Ltd	K Bhai Lalbhai	Gujarat
63.	Shree Pipes Ltd	Girnar Pratisthan Ltd	Kanoria	Rajasthan
64.	Madhya Pradesh Electricals Ltd	Shakti Insulated Wires P Ltd	Khatau	Madhya Pradesh
65.	Vanavil Dyes & Chemicals Ltd	Colour Chem Ltd	Khatau	Tamil Nadu
66.	Lakshmi Porcelains Ltd	M D Kanuri	KLN Prasad	Andhra Pradesh
67.	V.P. Switchgears Ltd	Hindusthan Brown Boveri Ltd	Larson & Toubro	Uttar Pradesh
68.	National Switchgears Ltd	Hindusthan Brown Boveri Ltd	Larson & Toubro	--
69.	Gujarat Prime Movers Ltd	Hindustan Brown Boveri Ltd	Larson & Toubro	Gujarat /FCC
70.	Andhra Mechanical & Elec Inds. Ltd	I A E C (Bombay) Ltd	L D Char	Andhra Pradesh
71.	Siroplast Ltd	Roplas India Ltd	Mahindra	Maharashtra
72.	Modi Business Systems (Punjab) Ltd	Modi Group of Industries	Modi	Punjab
73.	Bihar Sponge Iron Ltd	Modipon Ltd	Modi	Bihar

(Contd...)

	(1)	(2)	(3)	(4)
74.	Modipic Rubber Ltd	Modi --		
75.	Asia Carbon Ltd	Phillips Carbon Black Ltd	Goenka K P	Tamil Nadu
76.	Vikrant Tyres Ltd	Consolidated Coffee Ltd	Muthiah	Karnataka
77.	Modern Insulators Ltd	H S Ranka	Modern Group	
78.	Modern Threads (I) Ltd	H S Ranka	Modern Group	
79.	Punjab Breweries Ltd	East India Hotels Ltd	M S Oberai	Punjab*
80.	Nagarjuna Paper Mills Ltd	K V K Raju	Nagarjuna	Andhra Pradesh
81.	Nagarjuna Steels Ltd	K V K Raju	Nagarjuna	Andhra Pradesh
82.	Nicco Orissa Ltd	National Insulated Cable Co. Ltd	NICCO	Orissa
83.	Webel Television Ltd	NICCO Investment Ltd	NICCO	West Bengal
84.	Webel Nicco Electronics Ltd	1. National Insulated Cables Co Ltd 2. Nicco Investment Ltd.	Nicco	West Bengal (2)
85.	Telelink Nicco Ltd	National Insulated Cables Co Ltd	Nicco	West Bengal
86.	Gujarat Tyres Ltd	Nirlon Synthetic Fibres & Chmls. Ltd	Nirlon	Gujarat
87.	Orichem Ltd	D K Jhunjhunwala & Co. Pvt. Ltd	Orissa Inds.	Orissa
88.	Punjab Concast Ltd	Oswal Woollen Mills Ltd	Oswal	Punjab
89.	Malwa Cotton Spg. Mills Ltd	Oswal Woollen Mills Ltd	Oswal	Punjab
90.	Punjab Woolcombers Ltd	Oswal Woollen Mills Ltd	Oswal	Punjab
91.	Webel Telecommunications Inds. Ltd	Peico Electronics& Electricals	Philips/FCC	West Bengal
92.	Raasi Cement Ltd	N P K Raju	Raasi	Andhra Pradesh
93.	Raasi Synthetics & Chemicals Ltd	B V Raju	Raasi	Andhra Pradesh
94.	Arkonam Castings & Forgings Ltd	K C P Ltd	Ramakrishna V	Tamil Nadu
95.	Raunaq Automotive Components Ltd	Raunaq Enterprises	Raunaq Singh	Uttar Pradesh
96.	Sigma Paints (Karnataka) Ltd	Sygma Paints Ltd	Ruia	Karnataka
97.	Tamparlit Steam Navigation Co Ltd	Scindia Steam Navigation Co Ltd	Scindia	West Bengal
98.	M P Agro Morarji Fertilizers Ltd	Dharmsi Morarji Chemical Ltd	Shahu Jain	Madhya Pradesh (4)
99.	IndianCarbides& Chemicals Ltd	Asiatic OxygenLtd	Soorajmull N Mull	Orissa
100.	M P Carbides & Chemicals Ltd	Raigarh Jute & Textile Mills Ltd	Soorajmull N Mull	Madhya Pradesh
101.	Bihar Air Products Ltd	1. Asiatic Oxygen Ltd 2. B P Indl Corpn Pvt Ltd	Soorajmull N Mull	Orissa

(Contd...)

(1)		(2)	(3)	(4)
		3. Amstar Invt Pvt Ltd		
102.	Andhra Pradesh Fibres Ltd	K K Bajoria	Soorajmull N Mull	Andhra Pradesh
103.	Automobile Corpn of Goa Ltd	Tata Locomotive & Engg Co Ltd	TATA	Goa
104.	Ipibel Refractories Ltd	Tata Refractories Ltd	TATA	Orissa
105.	Ipitata Sponge Iron Ltd	Tata Iron & Steel Co Ltd	TATA	Orissa
106.	Titan Watches Ltd	Questar Investment Ltd	TATA	Tamil Nadu
107.	Kumardhubi Metal Casting & Engineering Ltd	Tata Iron & Steel Co Ltd	TATA	Bihar
108.	Almora Manganesite Ltd	Tata Refractories Ltd	TATA	Uttar Pradesh
109.	Punjab United Pesticides & Chemicals Ltd	Excel Industries Ltd	TATA II/Shroffs	Punjab
110.	Karnataka Oxygen Ltd	1. Lachhminarain Co 2. Ambica Textiles	TCI/Bhoruka	Karnataka
111.	Northern Digital Exchanges L	Ballarpur Industries Ltd	Thapar	Punjab
112.	Punjab Polyfibres Ltd	Jagatjit Cotton Textiles Ltd	Thapar	Punjab
113.	Solid State Devices Ltd	-- Thapar	--	
114.	Andhra Pradesh Rayons Ltd	Ballarpur Industries Ltd	Thapar	Andhra Pradesh*
115.	Punjab Display Devices Ltd	Jagatjit Cotton Textile Mills Ltd	Thapar	Punjab
116.	Himlon Ltd	Ballarpur Industries Ltd	Thapar	Himachal Pradesh
117.	Goa Electricals & Fans Ltd	Crompton Greaves Ltd	Thapar	Goa
118.	Lorcom (Protectives) Ltd	London Rubber Co (I) Ltd	TTK/FCC	Maharashtra
119.	United Communications Ltd	United Breweries Ltd	United Breweries	Orissa (5)
120.	Karnataka Polyster Ltd	United Breweries Ltd	United Breweries	Karnataka
121.	Madhya Pradesh United Chemicals & Pesticides Ltd	United Builders Constn.(I) Pvt. Ltd	United Group	Madhya Pradesh
122.	Madhya Pradesh United Polypropylene Ltd	United Builders Constn.(I) Pvt. Ltd	United Group	Madhya Pradesh
123.	M P Uni-Magna Tech Ltd	United Builders Constn.(I) Pvt. Ltd	United Group	Madhya Pradesh
124.	Columbia Electronics Ltd	Deepak Gupta	United Group	Madhya Pradesh

(Contd...)

(1)	(2)	(3)	(4)

Note: (1) Uttar Pradesh Electronics Corporation Limited
(2) West Bengal Electronics Industry Development Corporation Limited
(3) Steel Authority of India Limited
(4) Madhya Pradesh Agro Industries Corporation Limited
(5) Orissa Electronics Development Corporation Limited
* Disinvested.

Source: The list is prepared on the basis of the prospectuses available at the Institute for Studies in Industrial Development (ISID), New Delhi and the list of joint sector companies obtained from the promoting agencies.

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